



Identity Theft in the Digital World.

Rena Mears
CPA, CISSP, CIPP, CISA, CITP
Partner, Deloitte & Touche LLP

Global & US National Privacy & Data Protection
Service Offering Leader

April 11, 2007

Audit.Tax.Consulting.Financial Advisory.



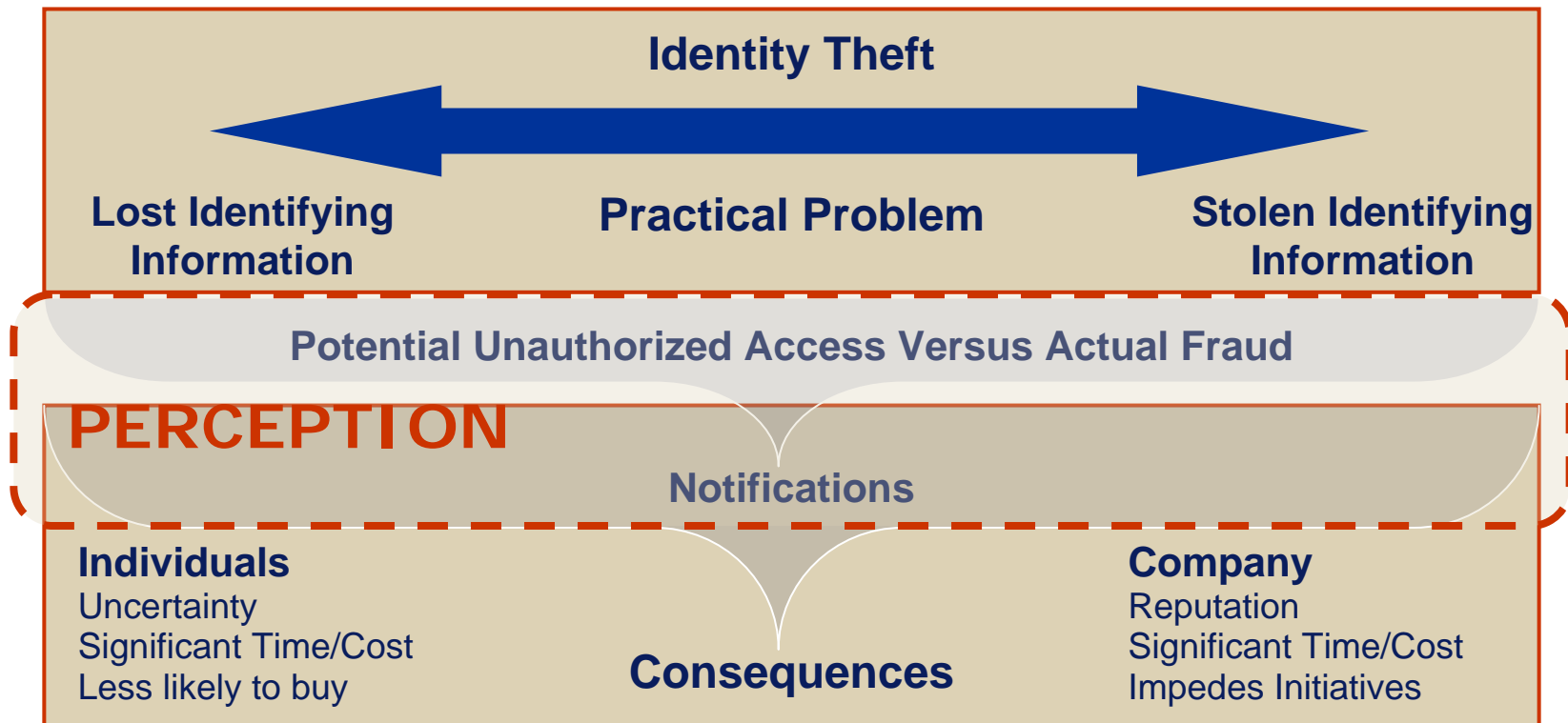
Disclaimer

This publication contains general information only and Deloitte & Touche LLP is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte & Touche LLP its affiliates and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

Identity Theft Firestorm

- Identity Theft and Fraud top FTC complaint list for last 7 years
- 15 million Americans victimized in just a 12-month period
- Theft per victim more than doubled between 2005 and 2006
- Victim recovery dropped from 87% in 2005 to 61% in 2006



Why Now? Opportunity Knocks

Digital Economy

- Proliferation of Data
- Extended Enterprise
- Ease of Transfer

Data Aggregation

- Expansion of Understanding and Relationships
- Data Mining
- Centralized Architectures

Organizational Challenges

- Risk Management
- Privacy/Security
- Vertical Integration
- Value Adoption

Personalization

- Online Persona
- Customized Experience

- Business Capture
- Functionality versus Protection
- Lead Generation



Identifying Information & Key Attributes

- **“Identifying information” means a name or number that can be used alone or in conjunction with other information to identify a specific person including:**
 - Name, SSN, date of birth, drivers license, alien registration, passport, taxpayer id
 - Unique biometric data
 - Unique electronic identification number, address or routing code
- **Key Data Elements and Attributes:**
 - Name + SSN = Creation of Identity/Credit
 - Name + Card Number + CVV2 (card not present transactions) = Purchase without card
 - Name + Card Number + PIN = Cash

Motives, Types of Identity Theft and Identity Fraud

- Organizations across industry require proof of identity (IDs for work, gym, library, retail stores, etc.) and most people likely maintain multiple user names and passwords
- Authenticating one's identity has contributed to the proliferation of data, increasing the ease with which information can be accessed on the internet

Motives for Identity Theft

- **Financial Motives**
- Financial gain of the offender

Non-financial Motives

- Experimentation
- Revenge
- Concealment of a true identity
- Avoid detection of current criminal activities

Other Motives

- Terrorism
- Drug trafficking
- Child pornography

Types of Identity Theft

- | | |
|---|---|
| • Insider access | • ATM skimming |
| • Phishing | • Social engineering |
| • Pharming | • Dumpster diving |
| • Hacking, cracking | • Shoulder surfing |
| • Spyware, computer worms, and keyloggers | • Stealing and misappropriating back up media |
| • Scripted VoIP attacks | • Stealing laptops |

Types of Identity Fraud

- Credit card fraud
- Bank account takeovers
- Fraudulent identity
- PIN fraud

Regulatory Response

Security Breach Laws

- **33 states and the city of New York have enacted privacy unauthorized access/breach notification laws**
- **Key Common Requirements**
 - Require notification to affected individuals of unauthorized access to personal information
 - Disclosure requirements are triggered when an individual or business knows or reasonably believes there has been a security breach
 - A “security breach” typically means unauthorized acquisition of unencrypted personal information
 - If a security breach is discovered, residents must be notified in the “most expedient time possible” without unreasonable delay
 - Notice may be delayed if it would impede a criminal investigation or to allow a company to determine the extent of the breach and take action to restore security



Regulatory Response, cont'd.

SSN Protection

- **California SSN Protection Act** was the first state law requiring the secure transmission of SSNs of CA residents and prohibiting certain uses of SSNs
- **Michigan SSN Privacy Act** was the first state law in the country requiring organizations, regardless of industry, to have a policy for safeguarding SSNs
- **Additional states** such as Indiana, New York, and Vermont have passed similar measures
- **Key Common Requirements**
 - Allow private right of action
 - Require encryption of SSNs transmitted over the Internet
 - Prohibit in various ways the public display and printing of SSNs

Market Reaction – The Ripple Effect

- **Individual**

- Direct financial loss
- Time and cost associated with credit monitoring, changing payment cards, notifying payees, identifications, etc.

- **Marketplace**

- Consumer confidence
 - **As reported by Wall Street Journal/Harris Interactive Survey**
 - 30% of consumers limit online purchases
 - 24% have reduced online banking
 - **91% of consumers are concerned their identity may be stolen to make unauthorized purchases**

- **Commercial**

- Increasing contractual requirements for protection and notifications
- PCI standards
- Private right of action

What You Can Do

- **Be Proactive**

- **Individuals**

- Privacy notice
 - Breach notifications
 - Credit reports

- **Enterprise**

- Understand risks
 - Creation of program with defined procedures

- **Efficient/Effective Response**

- **Individuals**

- Contact credit agencies
 - Close affected accounts
 - File a complaint with the FTC
 - Contact local authorities

- **Enterprise**

- Conduct investigation
 - Coordinate communications
 - Respond & remediate





About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 150 countries. With access to the deep intellectual capital of 120,000 people worldwide, Deloitte delivers services in four professional areas, audit, tax, consulting and financial advisory services, and serves more than one-half of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

In the US, Deloitte & Touche USA LLP is the US member firm of Deloitte Touche Tohmatsu and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP and their subsidiaries), and not by Deloitte & Touche USA LLP. The subsidiaries of the US member firm are among the nation's leading professional services firms, providing audit, tax, consulting and financial advisory services through nearly 30,000 people in more than 80 cities. Known as employers of choice for innovative human resources programs, they are dedicated to helping their clients and their people excel. For more information, please visit the US member firm's web site at www.deloitte.com/us.

Copyright © 2006 Deloitte Development LLC. All rights reserved.

**Member of
Deloitte Touche Tohmatsu**